

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON FINANCE

Call to Order: By **CHAIRMAN BOB KEENAN**, on March 6, 2001 at 9:00 A.M., in Room 317 Capitol.

ROLL CALL

Members Present:

Sen. Bob Keenan, Chairman (R)
Sen. Ken Miller, Vice Chairman (R)
Sen. Tom A. Beck (R)
Sen. Chris Christiaens (D)
Sen. John Cobb (R)
Sen. William Crismore (R)
Sen. Greg Jergeson (D)
Sen. Royal Johnson (R)
Sen. Arnie Mohl (R)
Sen. Linda Nelson (D)
Sen. Debbie Shea (D)
Sen. Corey Stapleton (R)
Sen. Bill Tash (R)
Sen. Jon Tester (D)
Sen. Mignon Waterman (D)
Sen. Jack Wells (R)
Sen. Tom Zook (R)

Members Excused: Sen. Bea McCarthy (D)

Members Absent: None.

Staff Present: Prudence Gildroy, Committee Secretary
Jon Moe, Legislative Fiscal Division

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 273, 3/3/2001; SB 322,
3/3/2001

Executive Action:

{Tape : 1; Side : A}

HEARING ON SB 273

Sponsor: SEN. COREY STAPLETON, SD 10, Billings

Proponents: Dustin Stewart, Associated Students of MSU Bozeman and Great Falls and the Associated Students of Montana Tech
Kara Kuntz, Student Body President MSU, Bozeman
Aidan Myhre, Montana Chamber of Commerce

Opponents: None.

Opening Statement by Sponsor:

SEN. COREY STAPLETON, SD 10, Billings, introduced SB 273, a bill for Montana graduate employment incentives. He handed out an article printed since the bill passed 2nd reading.

EXHIBIT (fcs51a01) He stated that there has been a mass exodus of college graduates in recent years. That has significant economic consequences when the cost of education from K-12 are considered. The bill sets up an equal incentive to businesses that hire Montana college graduates and to graduates that got the majority of their credits in the state and stayed for 24 months. The implications of the exodus of the population of the age group is exponential. Future Montanans will be burdened. Generations of Montana will be lost.

There is a significant fiscal impact from the bill and it is a policy change. As a fiscal conservative, he said he was completely comfortable with the bill and had no problem getting rid of or adding new programs. He asked that the committee prioritize.

Proponents' Testimony:

Dustin Stewart, Associated Students of MSU Bozeman and Great Falls and the Associated Students of Montana Tech, who represents 15,000 students, asked for a commitment to graduates to stay in the state. The average student that has to borrow, graduates from MSU with \$17,000 in debt. These students don't have jobs right after graduation and must start paying their debt within 6 months after graduation or their loans go into default. Students can either stay in the state and earn \$22,000 a year, the average salary for a Montana worker, or they can go out of state. Students at MSU are very good students. The question is not that these students are going to get jobs or good paying jobs, its where the jobs are going to be. The bill won't provide a major impact upon the students, but will make it more fiscally feasible for the students to stay in Montana. These students can make

more money elsewhere. The average student that has a bachelor degree in the United States earns \$40,000. The average student that stayed in Montana after graduation from MSU earns \$31,000. This bill will close that gap a bit. Students that would love to stay in Montana will have more of an incentive to stay. Currently 51% stay, 49% leave. Only 31% of engineering students stay in the state. If the state will offer a commitment to the students to keep them in the state, the students will be very appreciative.

Kara Kuntz, Student Body President MSU, Bozeman, spoke in favor of the bill and stated she is a senior studying industrial and management engineering. In a recent career studies survey, it was found that 69% of engineering students last year left the state. Many students are moving to cities like Colorado Springs, Boise, and Spokane, cities that twenty years ago weren't much bigger than Billings. They like the atmosphere that they've grown up with in Montana, so they are moving as close as they can, but in areas where they can find high paying jobs. Companies like Montana graduates, who are well trained, well educated, hard working students. SB 273 will keep students in Montana, which will increase economic development in the state.

Aidan Myhre, Montana Chamber of Commerce, testified that the Chamber thinks SB 273 is a component of a bigger solution and a very good idea. If students on graduation day at the university showed hands of how many would leave the state, it would be shocking and profound. The employers that represent the Montana Chamber of Commerce are struggling to find good, creative minds and people who will stay employed for two years. This bill might encourage some of those students to stay, be employed for two years and be provided a little carrot at the end. Although not a total solution, part of that solution is creating jobs with a living wage that will allow buying a house and having a career. She stated support for the bill.

Opponents' Testimony:

None.

Questions from Committee Members and Responses:

SEN. ROYAL JOHNSON inquired if **SEN. STAPLETON** considered that the money might go to pay back loans first. **SEN. STAPLETON** affirmed that he did, but this bill was a business bill to him. He believed the incentive payment may or may not go towards paying off loans. He remembered eating ramen soup and selling his books back at the end of college and the significance of money with this age group. To do that it would be more a part of the higher

education community as compared to an incentive for a broader purpose. He stated he wasn't opposed to the idea, but there was another bill that talked about loan forgiveness. **SEN. JOHNSON** thought that since the University System or someone else had made that money available, if the loan is outstanding the money should go to pay off loans. The bill allows people from any higher education unit in Montana to be a part of the program. He wondered about the separation of church and state, since some of the universities and colleges in Montana are denominational.

SEN. STAPLETON said the bill was specifically targeted to everyone meeting the criteria, a bachelors degree and half the credits earned in the state. The bill does not discriminate about the employer as long as they are a taxpayer. A school district or non-profit is not eligible. **SEN. JOHNSON** asked if he had checked to see if there is a particular problem with public money going to private denominational institutions. **SEN.**

STAPLETON assured him that the money doesn't go to the students until 2 years after graduation when they are private citizens.

CHAIRMAN BOB KEENAN restated that the tax credit eligibility is for the student, not the institution. **SEN. STAPLETON** said the tax credit is for the qualified businesses that are defined in the bill. The incentive payment is to the qualified graduate as defined. The institution does not directly benefit. He suggested that the bill supports higher education and the private sector.

SEN. TOM ZOOK remarked that he read articles that only 20% of students need to be 4 year college graduates. The other 80% need to have at least a couple of years of technical training. He read the article that was distributed, where Commissioner Kroft made a comment about attracting industries that require highly skilled college educated workers, because those workers are leaving the state. He suggested that the bill overlooked the two year institutions and that the need was not really being met by the four year route. **SEN. STAPLETON** acknowledged that was a great point and a policy decision. The ratio of four year degrees to two year degrees is about 3 or 4 to 1. The bachelors degree is the predominant post high school education. There was discussion in committee in expanding the program, but fiscally it was already expensive. The reasoning is that a four year student has invested a lot in higher ed. Other students may need something like the bill provides too. But as a start, it should be narrowly defined. The bill symbolically sends a message. The bill would be government encouraging a relationship between business and students. Perhaps it could work as a pilot program. He told the co-ops that he wouldn't be opposed to expanding the program to include a two year degree.

{Tape : 1; Side : B}

He wanted to keep the fiscal note as low as possible. **SEN. ZOOK** commented that teachers, nurses and engineers had been mentioned. He said that MSU had a great engineering program. Montana can only use so many engineers, but has a need for nurses and teachers. He wondered if targeting had been considered. **SEN. STAPLETON** said he thought the bill was targeting. **SEN. ZOOK** said he understood the bill to be general. He meant targeting certain categories of employment. Engineering is a high paying job, but it is not quite the same for teachers and others. **SEN. STAPLETON** said that was considered but that it would change the intent to be inclusive. He said he did not know which way the economy was going to go, he only knew the direction it needed to go. He said he believed all the occupations were needed. Montana is a large state with few people and heavy infrastructure. Economically, all sectors are needed to rise. He wanted the bill to be a force to encourage all college graduates to stay. He did not know what sectors were needed and which weren't.

SEN. ARNIE MOHL said the length of college Christmas and summer vacations was a problem when hiring students. **SEN. STAPLETON** said the bill looks at the finished product from an economic standpoint. Much is spent on K-12 education and the bill is a capture on a return. The people targeted in the bill will be making over \$30,000 a year or more, buying houses and paying taxes. Undergraduates are not eligible, and if there is a break in service they are not eligible. **SEN. MOHL** said that employing students during the summer leads to hiring them after graduation. If they can't be hired during the summer and partially trained, they probably won't be hired. He thought the issue should be worked on. Students have no work experience. If hired for summer vacation, they could be hired at a higher scale. It could be part of the program that was being sought. **SEN. STAPLETON** thanked **SEN. MOHL** for the suggestion.

SEN. LINDA NELSON stated that she serves on the President's Advisory Committee with **SEN. JOHNSON** for MSU and she had information from the last year or two that 67% of graduates stayed in the state. She got a letter from U of M not long ago that said about 64% of their graduates stayed in Montana. She wondered if the drop was really to 50%. **SEN. STAPLETON** said the trend was down. He referred the question to **Mr. Stewart**, who testified that the percentage varied per college. Colleges such as MSU Billings had a higher community base. MSU is at about 51%, MT TECH is at 36%, the Fine Arts portion of MT TECH is about 76%. The U of M is around 50% and the college of technologies are about 75%. Billings is around 65%. **SEN. NELSON** commented that it also depended on what jobs are available in Montana. Some of the jobs just aren't there. **Mr. Stewart** agreed.

SEN. JERGESON commented on the issue of how many students have to go out of state after they graduate. The number never takes into account the number of out of state students that come to Montana in the first place. Up to 50 percent of the graduates may go out of state after graduation, but 25 to 30 percent of graduates probably came from out of state in the first place. The net number is really something less. He inquired if a student decided to become a self-employed entrepreneur, if he would be able to get both the incentive and the employer credit. **SEN. STAPLETON** replied that in order to get the \$1000 as a qualified graduate there has to be an employer/employee relationship. **SEN. JERGESON** restated the question asking if the student could get both the incentive as a graduate and the employer's incentive for employing himself. He thought entrepreneurs ought to be encouraged. **SEN. STAPLETON** again described an employer/employee relationship and stated that the intention was not that a student could be both a qualified employer and a qualified employee.

SEN. CHRIS CHRISTIAENS asked if other states have implemented a similar program and if so what their experience was. **SEN. STAPLETON** said not to his knowledge. **CHAIRMAN KEENAN** commented that his daughter does not want to stay in Montana, she wants to see the world. He wondered how many University of Wyoming, Idaho State, or Idaho students were inclined to go out and explore. **Mr. Stewart** said he did not have those numbers with him, but thought he could find them. **CHAIRMAN KEENAN** asked if Montana had similar numbers to other states. **Mr. Stewart** thought that Montana's would be a little lower but not much, because of the economic situation. Many students want to travel, but the bill is not centered towards them. No incentive could force or make them stay in Montana. SB 273 is targeted at the students who would love to stay in Montana but find it is not financially feasible to do that. They may go to South Dakota to get a job at Gateway instead of staying in Montana and starting their own company or working in Billings.

Closing by Sponsor:

SEN. STAPLETON closed on SB 273 stating that the bill is a tool. He asked that it be sent to the Governor so that she be given a choice and some options when defining how Montana is open for business. He thought it was a building block for the future. It could be used as a tool at job fairs. It would show a willingness to compete in a tight labor market for a precious resource. He acknowledged the cost of the bill, and vowed that he would be back in the next session to evaluate programs. He contended that the bill was one aspect of a solution to Montana's economic problems.

HEARING ON SB 322

Sponsor: SEN. DEBBIE SHEA, SD 18, Butte

Proponents: Bill Snoddy, Jefferson and Broadwater Counties
Don Judge, Montana State AFL-CIO
Frank Gilmore, Chancellor Montana Tech, University
of Montana
Sarah Cobler, Associated Students University of
Montana
Arlene Parisot, Director Resource Development,
Commissioner of Higher Education Office
Bob Pavlovich, IBEW 233
Aidan Myhre, Montana Chamber of Commerce
Jerry Driscoll, Montana Building Trades Council
Craig Byington, citizen
Russ Ritter, Montana Resources
Angela Janacaro, Montana Mining Association
Dustin Stewart, Associated Students of MSU Montana
Tech

Opponents: Patrick Montalban, Northern Montana Oil and Gas
Association
Gail Ambercrombie, Executive Director Montana
Petroleum Association
Gary Feland, Kipland Energy
Carl Winnaker, Secretary Northern Montana Oil and
Gas Association

Informational Witnesses: John Tubbs, DNRC
Gary Wright, DLI
Mark Cadwallader, DLI

Opening Statement by Sponsor:

SEN. DEBBIE SHEA, SD 18, Butte, declared that SB 322 had great support in the senate because it was about taking care of natural resource workers. The legislation would re-educate, re-train, re-focus and renew the spirit of displaced natural resource workers. She did not know how many workers the bill would apply to. Many workers will have to move out of state. She thought it better to save a few and keep them in the state paying taxes. She acknowledged that there were some objections to the bill. Some of those concerns are about timber workers because they don't contribute to the RIT where the funding would come from. She believed that whatever affects natural resource workers affects everyone in Montana. Some would argue that the RIT fund was set up for reclamation. She pointed out the issue of human

reclamation. Some are concerned that there would be no end. The intent of the bill is for \$300,000 each year for five years. She offered to amend the bill for clarity. **CHAIRMAN KEENAN** said that the bill had a policy hearing and made it through the process but the committee was dealing for the most part with the fiscal note. **SEN. SHEA** said there was some confusion on the fiscal note and said that one of the amendments would clarify that.

Proponents' Testimony:

Bill Snoddy, Jefferson and Broadwater Counties, testified that SB 322 was a good piece of legislation designed to help folks who are in a state of crisis. He had discussions with legislators who had concerns about the bill and RIT funding for the bill. They felt that natural resource workers should have saved more money for their own futures and planned for the eventuality. He asked how people in natural resource industries such as Asarco, Montana Resources, in Libby, Montana Tunnels and other mines, could prepare to have a career completely removed. As **SEN. SHEA** prepared the bill they discussed a funding source. They knew it would be a tight fiscal year and general fund money would not be available to fund the reclamation of workers. The RIT is a fund that these people through their work have helped fill. At this point there is approximately \$98 million in the RIT fund, generating some \$7.6 million in interest in a year. Once the RIT is capped, SB 322 will come into effect. It will take \$300,000 per year from the RIT deposits to support retraining, or re-education for natural resource workers. Between the interest and the projected income, once RIT is capped there will be nearly \$9 million available. He asked for support for SB 322 and the amendments. He stated support for the bill from Broadwater and Jefferson County Commissioners. **EXHIBIT(fcs51a02)** **CHAIRMAN KEENAN** said that if proponents wanted to express support for the policy and didn't have anything specific to say about the fiscal note, to feel free to do that.

Don Judge, Montana State AFL-CIO, stood in support of SB 322 with the amendments. They administer approximately 60% of the dislocated worker dollars that come to the state through the federal government. That money is directly aimed at primary laid off workers in accordance with a policy adopted by the state Workforce Investment Board appointed by former **Governor Racicot** and subject to reappointment by **Governor Martz**. Approximately \$5 million a year comes to the state of Montana from the federal government to serve dislocated workers. With that, approximately 10% of the dislocated workers in the state are served. Since July of 2000, there have been approximately 2000 dislocated workers in the state. That is the highest number since the closure of ARCO in 1979-1980. Of the workers dislocated in this

fiscal year, 950 of them have been from natural resource industries. They don't have the money to serve all those dislocated workers and they are already turning down other secondary dislocated workers due to lack of resources. **{Tape : 2; Side : A}**

For every dime that can be freed up to serve dislocated natural resource industry workers, it allows them to reach out into rural agricultural Montana where small towns are drying up. Right now those aren't on the priority list for dislocated services. SB 322 would help with that. His organization sees the bill as good legislation that doesn't tap the general fund; it is very necessary and needed in Montana.

CHAIRMAN KEENAN asked for a quick review of the amendments. **SEN. SHEA** handed out and explained the amendments. **EXHIBIT(fcs51a03)** Two of the amendments deal with clarification of the fiscal note. One amendment deals with a program that retrains workers to be underground miners.

Frank Gilmore, Chancellor Montana Tech, University of Montana, spoke in support of SB 322. At Montana Tech there are several programs that fit exactly into the kind of thing that SB 322 supports. There is an underground training program that they are trying to initiate with federal funds. The individuals training for underground mining would have to pay tuition because that is the only way Montana Tech can support such programs. They have tried to get industry to help support those individuals with their training and have not been successful. SB 322 would provide those funds so that someone from the timber, mining industry, or other natural resource areas could be retrained to do underground mining. They also have programs like the CISCO academy which can start in high school. The workers could take a few of the courses in high school and over a twelve month period could be certified to be network technicians. There are many jobs within the state of Montana for network technicians. He asked that a way be found to finance the bill which would greatly assist displaced workers.

Sarah Cobler, Associated Students University of Montana, strongly supported SB 322. She stated that thousands of workers lost natural resource jobs for reasons from a skyrocketing energy prices to world markets and economic globalization. In 1950, 40% of all jobs in the United States required skilled labor. Today, it is 85%. According to the 1997 Census Bureau, the mean annual income for a high school graduate was \$22,000. For someone with a bachelors degree, it was \$40,000. Over a 35 year period, an expected work life, that difference amounts to more than \$600,000. She said SB 322 is a blend of pragmatism and compassion. The bill has no impact on the general fund, but is

an economic and moral imperative for the state and needs to be funded from whatever source deemed best.

Arlene Parisot, Director Resource Development, Commissioner of Higher Education Office, fully supported SB 322, as an effort to assist individuals displaced through closures or redirection of the economy. Those individuals are left without employment skills needed to obtain jobs that may require education and training outside the scope of the natural resources industry. During the last two decades, Montana's economy has changed dramatically. Agriculture has remained constant, but logging, mining, manufacturing, and construction have only increased slightly. Service technology industries have increased a tremendous amount. Non-farm producing sectors such as natural resources increased 13%, and service industries increased 113%. The natural resource sector is not progressing as rapidly as other economic sectors, leaving behind those with skills and expertise required for these industries. They have been productive members of society and deserve a chance. SB 322 gives them that opportunity.

Bob Pavlovich, IBEW 233, stated that a lot of electricians in Montana were out of work. **Chancellor Gilmore** said he could take care of these people and get them a new job down the line. He said that it was about time that some money was used for that purpose.

Aidan Myhre, Montana Chamber of Commerce, stood in support of SB 322 because the Chamber believes it supports a policy decision that the state wants to get individuals retrained and re-educated in order to pursue new careers, perhaps in the new economy, continue in the work force and remain as viable members of the community. One of the things she learned from four years in the workers compensation industry was the sooner that people get back to work, the faster it is to make them contributing members of the workforce. If individuals are allowed to remain without options, and remain unemployed they will be more likely to stay unemployed. She encouraged support of the bill.

Jerry Driscoll, Montana Building Trades Council, stated that the policy of the bill was to retrain workers. The bill asks for RIT money to be used. He assumed there would be opponents to using that money. Legislators were elected to make decisions about funding. Mr. Driscoll said he disagreed with the cigarette tax. He hoped that the bill would pass with the amendments and that the RIT taxing source would be used so there would not have to be new taxes.

Craig Byington, citizen, testified that he brought his family to Montana in 1991 because of the opportunities in Montana. He claimed he has been displaced since the passage of recent initiatives. He since established himself as a consultant for mining companies. He said he understood that the bill dealt with an RIT fund that is nearly capped at about \$98 million. It is generating about \$7.6 million in interest per year. The bill asks for \$300,000 per year, not even half of the interest generated from just what miners paid into the fund. His consulting firm is not competing with any consulting firms in the state and specializes in mining issues. To grow that firm, he needs additional education. He is trained as a geologist and needs some education in business and engineering. As a citizen of Montana for nine or ten years, he has committed to the state. He said he will try to grow his business and that he represented the entrepreneurs. Small businesses hopefully will grow into large businesses and improve the job situation.

Russ Ritter, Montana Resources, stood in support of SB 322. Montana Resources is one of the companies affected by the recent increase in electrical power rates. There are 300 people unemployed as a result. If they had known, they would have done something different. Montana Resources contributed to the RIT fund, and he could not think of a better way to use it right now. He hated to see the city of Butte lose those workers as a result of retraining but people, jobs and families come first, and the company stands behind any way to help individuals to further their education. They could go further in the mining industry itself, or be retrained in some other field of interest. He stated strong support for the bill.

Angela Janacaro, Montana Mining Association, stated support for SB 322.

Dustin Stewart, Associated Students of MSU and Montana Tech, spoke in support of the bill. He said that workers had taken their shot in life with a hard working, good paying career, and due to circumstances beyond their control are no longer employed. These workers contributed to the success of the state. The RIT fund would not be in existence without the natural resource workers.

Opponents' Testimony:

Patrick Montalban, Northern Montana Oil and Gas Association, testified that they are the people that paid 70 percent of the RIT tax. They are an association of 70 small independents from Northern Montana. He apologized that they did not testify against the original bill. He said it was extremely difficult to

speak against the bill, as **SEN. SHEA** had been extremely loyal to the mining industry and the oil and gas industry and an ally for the independents. He said the bill was not about dignity or supplying jobs to people, it was about why the RIT fund was set up in the 1970s. It was set up as a reclamation fund for oil and gas wells and the mining industry in the State of Montana. He spoke about the history of the fund. The fund progressed until there was a pot of money, a slush fund. Money went to baseball fields in Butte, parking lots in Billings, and bicycle roads around the state. In the mid-1990s funds were diverted from the fund so that it would not reach \$100 million at time it was supposed to. **SEN. KEATING** fought to protect the trust fund for years. Trust funds are dangerous because they create millions of dollars and those dollars are not used for the original purpose. He again stated that 70 percent was paid by the oil and gas industry and the other 30 percent by the mining industry and the hard rock mining industry. The oil industry has gone through two crashes, in 1981 and 1996. The oil business and the people survived. They are small independent Montanans who go out and find a job and get the job done when its necessary to do so. Resource businesses are cyclical. The oil and gas business is currently thriving. Leases that were going for \$2 an acre in the oil and gas business six months ago are going for \$22 an acre. Montana has an opportunity to develop its natural resources through the oil and gas industry. The mining industry workers will re-educate themselves on their own and will do just fine. He addressed the 3000 wells that needed to be plugged and abandoned in Montana. That is what the RIT fund should be used for. 1000 of the wells are orphan wells without an operator in the state to plug and abandon them. The RIT fund needs to be used for reclamation of oil and gas wells and the mining industry. He declared that if the committee votes to pass the bill, it should be tightened up considerably. The scholarships should go to workers who have been in the industry for 3 years. The date should be 2001, not 1995. The oil and gas, timber, and mining industries should all be included. He again apologized for opposing the bill due to the commitment of the association to use the fund for reclamation.

Gail Ambercrombie, Executive Director Montana Petroleum

Association, stated she was in a quandary about whether to oppose the bill. Many representatives of industry support the bill. The bill has an impressive array of co-sponsors. She chose principles that former **SEN. KEATING** had worked on for many sessions. She distributed and explained information on the RIT fund. **EXHIBIT (3)** The language in the statute is to protect and restore the environment from damages resulting from mineral development, to support a variety of development programs that benefit the economy of the state and the lives of Montana

citizens, and to assess the state's ground water resources. She said that was the broad amorphous statement the committee would have to decide upon. The Constitution states that the principle of the fund cannot be touched after the fund reaches \$100 million. It does not cap the fund at \$100 million. She said that former **SEN. KEATING** always brought a bill to cap the fund. The funding has not been capped and it does not cap. She distributed flow charts of RIT proceeds and interest after the RIT reaches \$100 million. **EXHIBIT(fcs51a04) EXHIBIT(fcs51a05)** The bill deals with current tax dollars, not the fund. The association does not believe that educating natural resource workers is the purpose of the tax. About 8 percent of the oil and gas tax is paid for by the royalty owner such as ranchers. The Petroleum industry does not think it the place of the royalty owner to educate misplaced natural resource workers. If the committee does think the tax is for the purpose of SB 322, then the association would ask that the metal mines participate in the funding. The flow chart shows that the metal mines tax is not going at all to fund the program in SB 322. Unlike the Northern Montana Oil and Gas Association, they are not in favor of having the timber industry participate. If a way can be found to have the timber industry participate in the funding, they would not object. She restated that the RIT tax should stay with the purpose it was meant for and that they were not in support of SB 322.

Gary Feland, Kipling Energy, Shelby spoke in opposition to SB 322. He said it was kind of a dream come true bill. A geologist or a hydrologist in the resource industry can expect to go back to college and get retrained into a different field. The bill is for \$1.5 million dollars over five years that will be ripped out of the fund and spend on something the fund has nothing to do with. There is language in the bill that if a worker has worked for someone for 365 days, they are entitled to go to college. He gave the example that a worker who didn't want to work any more could qualify. Someone in jail could qualify because he had worked in the industry. Someone fired under a mandated drug policy could go to college. He thought the bill was real bad policy. There is no state funding source for a new program. As a past legislator, he said he gets nervous when the university comes in and supports a new program. There is more to this than just retraining employees. He stated he had been in the oil business all his life and didn't ask anyone to pay to retrain him. Its seasonal work. He just looked for a different job. His son works as an electrician in Washington because there are no jobs in Montana. He wondered what workers would be trained to do as the service industry is where the growth is. He believed that those workers are needed in the natural resource industries.

Carl Winnaker, Secretary Northern Montana Oil and Gas

Association, stated that their membership was composed of about 70+ members. They do business primarily in Glacier, Tool, Liberty, Hill, Blaine, Phillips, Teton, Pondera, Yellowstone and others. The Association respectfully wished to go on record as opposing SB 322. The purpose of the fund was to indemnify and compensate the citizens of the state for future problems caused by a imprudent operator or an inadvertent accident caused by a prudent operator. Twenty seven years he worked for a major oil company and when they left due to Montana's anti-business climate, he chose to stay. He then worked for a large independent. Currently he is a self-employed oil worker. Working in management for 27 years, he has seen the trust fund used for just about everything but what it was set up for. Many operators hope to see the fruits of their investment in the trust now that it is almost capped. The members want a fair return for their investment. In the text of the bill, 200 of the cited out of work people are in the petroleum industry. The oil industry will pay 48 percent of the tax. It is their opinion, that with the new Bush administration, petroleum and energy self sufficiency will again become a major employer in Montana. The industry is looking for good employees currently. They need to train workers to work in their industry. If the mining industry needs the money, it should come out of the 15 percent from the metal mines tax. He pleaded that the RIT fund be left alone for what it was created for.

Questions from Committee Members and Responses:

SEN. CHRISTIAENS asked about the amount of requests in Long Range Building and the amount of possible projects that were not funded, if any. **John Tubbs, DNRC,** said that out of \$6 million for requests for funding they funded about \$4.1 million. There were about \$900,000 worth of grants that were not funded. **SEN. CHRISTIAENS** asked the reason for the difference. **Mr. Tubbs** clarified that they received \$6 million in applications and didn't recommend all the funding for legislative action. Of the monies recommended to the legislature, \$4.1 million was appropriated in Long Range Planning to fund those grants. He said that \$3 million in interest from the trust was guaranteed for grants and then an allocation of the tax once the trust fund reaches \$100 million. **SEN. CHRISTIAENS** asked about the need and if there would ever be enough money to do reclamation on abandoned wells once the fund is capped at \$100 million. **Mr. Tubbs** replied that there is a tremendous need. He estimated that there were about 1000 orphan wells. There are also a number of unplugged shut-in wells, which the stripper grants are helping cost share, for operators to properly plug so they don't end up as orphan wells. DNRC estimates are in the hundreds of millions

of dollars in mine reclamation that is already on the books. The orphan share fund has probably \$30 to \$60 million in liability. There is plenty of reclamation to be done. **CHAIRMAN KEENAN** asked about \$3 million of interest of a \$98 million trust. **Mr. Tubbs** said there was actually \$7 million. \$3 million is dedicated to reclamation development grants. **SEN. TOM BECK** stated that he had a bill that when the fund reaches the cap, that bonds will be sold to get some critical areas cleaned up on mine reclamation. If the \$300,000 per year is taken out of that portion, that could have an effect on the amount of money available to pay off those bonds. **Mr. Tubbs** clarified that his bill pertains to the metal mines tax. **SEN. SHEA's** bill does not ask for metal mines tax monies, it asks for RIT tax. **SEN. JERGESON** expressed confusion over the charts that were handed out. He wondered if the numbers that suggest metal mines tax raised \$884,000 in 1999 and \$722,000 in 2000 was the amount that goes into the metalliferous mine tax box that is then split 8.5 one way and 7 the other. **Mr. Tubbs** believed that what is deposited in what was essentially a metal mines tax equivalent of its RIT payment, was 15.5 percent of the metal mines tax. Of that, 7 percent is dedicated to reclamation development. 8.5 percent goes to the orphan share funds. **SEN. JERGESON** stated that the bill proposes to take \$300,000 before the receipts are divided. For the biennium the reclamation and development account would have \$300,000 less than currently estimated available. He asked if there was current list of prioritized project. **Mr. Tubbs** said there would be no impact, because it is limited in HB 7 to \$4.1 million. Appropriations is dealing with it as part of a state special revenue account. **SEN. JERGESON** asked about the \$4.1 million that has been appropriated, {Tape : 3; Side : A}

SEN. JOHNSON asked for clarification on Table 6 regarding the uses of the RIT fund from 1995 to 2001. **Mr. Tubbs** said that spoke to the tax. He said there had been quite a bit of discussion about the trust itself. **SEN. SHEA's** bill does not come into force until the RIT trust reaches its \$100 million target, the tax proceeds become expendable and no further deposits are made in the trust. **SEN. SHEA's** bill talks about future tax payments from the extractive industries that pay RIT tax. The complications around RIT fade away because the trust fund will not be impacted at all. It will be at \$100 million and the \$7.5 million in interest it earns will go on and the legislature will appropriate it in a number of ways. It gets simpler when just the tax is looked at. Once the \$100 million target is reached, there will be \$366,000 for the ground water assessment program at the Bureau of Mines. **SEN. SHEA's** bill essentially duplicates that concept by adding her \$300,000 allocation for scholarships right off the top. Of the remaining amount, it is divided 50/50 between the orphan share account which re-mediate sites that are on the state's superfund list.

There are only three places that current statute has that money going to: reclamation development grants, for mineral projects, orphan share which is a remediation program for state superfund sites, and \$366,000 for the groundwater assessment program. **SEN. SHEA** would simply add another \$300,000 allocation off the top to fund the scholarships and job retraining. The impact is on the orphan share account. **SEN. JOHNSON** asked if the fund is invested by the Board of Investments and if it was in the funds that they handle. **Mr. Tubbs** replied that it is part of the pooled bond program that the Board of Investments handles. They take all of the coal service tax trust, the RIT trust, the cultural trust, and all the little trusts, add up all the money, make investments and then the returns to each trust are associated with their percentage of the investments. **SEN. JOHNSON** recalled that earlier in the session a bill was passed that went to the House that would value those funds and not consider unrealized gains and losses. If that is true, then it can only be income, not anything else like dividends or interest that can raise that fund from \$98 million to \$100 million. He asked if it was projected that over \$2 million would be available for the fund by June 30, 2001. If unrealized gains and profits are not considered, the fund is probably over \$100 million right now. **Mr. Tubbs** stated that the current revenue oversight committee estimates are that it will not reach \$100 million this year. It will reach that early in the next fiscal year. There will be a series of deposits next biennium until July when there is a certification that \$100 million has been reached. That certification will be provided to the DOR and at that point **SEN. SHEA's** bill will come into force and in the second year of the biennium would begin to fund the program. With high oil and gas prices, the fund may get there a little quicker than the current ROC estimates. There is a possibility of triggering the mechanism in the current fiscal year and then the program will start to be funded. **SEN. JOHNSON** said that the trigger is not dropping any more money into the \$100 million fund. **Mr. Tubbs** replied that in the year that it reaches \$100 million there may be more deposits. The RIT trust fund will grow to about \$101 million in FY 2002. That extra million can be appropriated. **SEN. JOHNSON** said that if there is a rise in the interest rates there could be unrealized losses that would take the fund under \$100 million after the money is dropped in. **Mr. Tubbs** said that is the point of a bill netting out unrealized gains and losses. An unrealized loss or unrealized gain is not taken in that type of fund. There is no reason to take an unrealized loss, they're guaranteed revenues. It is very infrequent in this type of fund to take advantage of a gain. That means there is really good investment. The other alternatives if the gain was taken would be poor. So the legislation that passed the Senate, although it probably will be amended on the House side, mete out those unrealized gains and

losses. **SEN. JOHNSON** asked if they were talking about book value of \$98 million or unrealized gains and losses up to that point. **Mr. Tubbs** said he believed it was book value. **CHAIRMAN KEENAN** clarified that the fund was not capped. The tax will still go in. The fund could grow to \$110 million or whatever. Its just that the first \$100 million is inviolate. **Mr. Tubbs** said that actually, due to the passage of legislation last session, the fund will cap the year after it reaches \$100 million. Some of those questions about if it is really \$100 million would be answered. They are anticipating that in the first quarter of the next fiscal year the tax revenue will be sufficient for the fund to get to \$100 million. That certification will be analyzed and provided by the DOR. Any tax payments during that first fiscal year will continue to be deposited into the trust fund. At that point, July 1, 2002, in current ROC estimates, it switches upon certification and no more money will be deposited in the trust fund but instead used for the three purposes.

SEN. NELSON addressed the question of a worker being employed for one year. She asked if it could it be accumulative time if someone worked in 1997 for three months and then in 1998 for six months. **SEN. SHEA** said that was not the intention. She had been looking over some of the suggestions that were made and would address those in her remarks at the end. **SEN. NELSON** asked if she worked in one of the extractive industries and was laid off, how much would she qualify for if she applied, and if she would qualify until she received a four year degree, or be able to get 100% of her tuition. **SEN. SHEA** didn't think any of the specifics had been worked out. It depends on how many people apply. She did not think that would be \$300,000 worth a year. The bill is good for five years at \$300,000. It may be for retraining or a GED. **SEN. WATERMAN** asked who determines the eligibility. **SEN. SHEA** said it goes through the Department of Labor (DOL). They disperse the money. If there is money it will be paid out. She didn't think the whole amount would be used. If determinations had to be made, then maybe they would have to pay for only half of the tuition and the applicant would pay the other half. **SEN. WATERMAN** asked if anyone from DOL could explain to her how this was going to work. She wondered if the \$300,000 would be split up between all of the applicants. She could not see where it could be a partial tuition and how it would be administered. **Mark Cadwallader, DLI**, said that the bill provides for the department to make rules to administer the program. If there were more applicants and expensive projects than they could distribute, they would have to figure out a way to prorate. He was not exactly sure how many people would be eligible at a time. **SEN. WATERMAN** said she was trying to figure out the logistics of how it will work. It seemed to her that people would apply and ask for their entire tuition. She did not see anything in the

bill that says they will get reimbursed. So if they're asking up front, they're going to be asking for all of their tuition and it will be on a first come first served basis. **Mr. Cadwallader** said that there is no set way it must be done at this point. It could be done on a first come first served basis. Or it could be on a formula based on how many applications are received by a certain date and the amount requested and then come up with a prorated figure to those who actually do decide to go on to school and make that payment. **SEN. WATERMAN** asked if there was any limitation for an individual from being the first person in line and applying every year for any number of years. **Mr. Cadwallader** stated that he did not see anything in the bill currently. **CHAIRMAN KEENAN** said he thought that the rule making process will sort that out.

SEN. BECK asked, in the event that the entire \$300,000 is not used, if the \$300,000 for the next year would be offset by the un-used amount from the previous year so that there is only a balance of \$300,000 in the account. **Mr. Cadwallader** did not know. **SEN. BECK** said he doubted that it would.

SEN. CHRISTIAENS asked about the Workforce Investment Act and how much money is coming into the state. This is the program that Don Judge administers and the governor's discretionary money. In addition, under the Workforce Investment Act there should be some type of rules as to average amount of per enrollee. It could get pretty complicated, there could be a number of different funding sources in addition. **Mr. Cadwallader** said that as far as the numbers go, he would defer to Gary Wright from DOL. As to the question about how it this coordinates within the Workforce Investment Act, he saw it as a separate funding source and therefore any restrictions or program limitations under the workforce investment act would not necessarily apply. That would be an issue for a person who is potentially eligible under this program and also with the Workforce Investment Act. **SEN. CHRISTIAENS** asked about accessing the Workforce Investment Act Dislocated Worker program first and then after that was exhausted, going to this source. **Mr. Cadwallader** deferred to **Gary Wright**. **Gary Wright, DOL**, stated he worked with the dislocated worker program. They get approximately \$6.8 million in federal dollars to fund dislocated worker programs in the state. Of that 25% goes to the governor for discretionary purposes. 60% goes to the AFL-CIO and the remaining 25% goes to job service to fund rapid response activities and some program operations. There is nothing in the bill that says they would have to use the dislocated worker program first. He believed that would happen in most cases. That would be the first line of defense. Like **Mr. Judge** said, there is not enough money in the dislocated worker fund to provide retraining dollars to everyone

who is eligible in the state. **SEN. CHRISTIAENS** asked if there was not then the opportunity to go to the federal government for special funding when there is an industry that has been affected such as the timber industry. **Mr. Wright** said there is a discretionary process with the U.S. Department of Labor and Industry. They just applied for a grant that is pending for the Columbia Falls aluminum plant people and the MRI folks. If they receive those funds, they would go to directly support retraining, core services, and intensive services like job search, relocation costs and supportive services for those folks. There is availability to access that money. However, those funds are at the discretion of the U. S. Department of Labor. They are also in the process of writing a grant for about \$3.1 million that would affect manufacturing industries such as JOR in Ronan, some timber industry jobs in Pablo. Those things would come and they would have to offset the hit to the formula. **SEN. CHRISTIAENS** asked about the total need in dollars for the dislocated population. **Mr. Wright** answered that because they prioritize the need for services and only serve the folks that they have available funds for, he could not say how many are out there that they don't screen. Both the AFL-CIO Project Challenge and job service are turning folks away because the funds are not available to serve everyone. It is not an entitlement fund, so priorities have to be set. **SEN. CHRISTIAENS** asked **Don Judge** about the total need for dislocated workers. **Mr. Judge** replied that they had no idea what the total need is in Montana. As he mentioned earlier, they are finding that it is the most rapid rate of dislocation since about 1979 or 1980. They won't know what the need is until they've determined whether or not they will be able to get the discretionary grants that have been applied for. They applied jointly with the Department of Labor on those grants. Typically, they get anywhere from half to two-thirds of the dollars that they apply for. They always cut those back based on how much they figure the applicants will actually be using the using system. There are two things that affect that. One of them is presidential or US Department of Labor discretionary. The second limitation is the dollars. The auto and steel industries have had major layoffs lately. The focus will be on where 30,000 people are being laid off and not where there are 300 people being laid off. There is concern because next years budget looks like there might be a five percent cut in dislocated worker dollars in the country. Regarding coordination, he said they coordinate with the Department of Labor on PEL grants, TAA (trade adjustment assistance, if the dislocated workers are being affected by international trade), TRA (trade re-adjustment assistance being impacted by NAFTA related affects). There are other resources out there, but what they have discovered is that no matter how many federal dollars come in, the need can't be met. **SEN. JOHNSON** asked about **Mr.**

Judge's testimony that \$5 million took care of 10% of dislocated workers. **Mr. Judge** replied that the \$6.8 million that comes in is divided up as **Gary Wright** described. The core grants are about \$3.20 million. The \$5 million includes the DOL money. Under the new Workforce Investment Act the formula changes give the governor about 15% discretionary on the federal dollars that come in and some of that money has gone to fund jobs for Montana graduates, the CISCO program, the Project Challenge program in the Dillon area, (not AFL-CIO), and administration of the Workforce Investment Act itself which is to set up as a whole one-stop network system where any employer can go into any site and get the same information. **SEN. JOHNSON** inquired why **Mr. Judge** used the figure of 10 percent when he also said he had no idea of the number of dislocated workers. **Mr. Judge** said that was based on national statistics. **SEN. JOHNSON** asked how many persons are reached with the \$3.2 million. **Mr. Judge** said that they anticipated 1000 clients a year with those resources. This year they have enrolled about 1500.

{Tape : 3; Side : B}

SEN. WATERMAN asked about the concern that was raised concerning the unemployed on page 4 line 10. If terminated for cause that they could still apply. **SEN. SHEA** agreed that would be amended.

SEN. ZOOK asked if appropriation and allocation were synonymous or if one is taking and one is dividing after the taking. **Mr. Jon Moe** answered that was correct in terms of how they have interpreted it in the legislative division. Appropriation and allocation are two different animals.

SEN. MILLER wondered if there is an intent for means testing, since the details of the bill are to be left up to the DOL. **Mr. Wright** said there is nothing in the bill requiring means testing. The DOL dislocated worker program also doesn't require a means testing.

Closing by Sponsor:

SEN. SHEA closed on SB 322. She said the numbers provided by **Mr. Judge** were alarming. She claimed the federal government is looking at cutting not 5% but 10% for displaced workers. One program that the AFL-CIO is involved with is called HASMT (hazardous materials training) and this free training would keep people in Montana and very much ties in with the industry. She thanked the student leaders for their remarks. She addressed the objections from the oil and gas industry. She was happy the industry was doing well and she acknowledged the hard times. She did not think they got through those times by themselves. She stated she would be happy to look at the amendments that they

brought forward. On page 4, the purpose is to support dislocated workers, and line 10c says "have been unemployed". That needs to say "laid off". If there is trouble with some of the numbers, she will work with the committee on that. She would not be willing to take the timber industry out of the bill. Even though she is from a mining community, it is not just about her community and their needs, it is about the State of Montana and where the natural resource worker. She said that the oil industry talked about current tax dollars implying that they are the ones that are currently contributing. She reminded them that mining was a major player in the \$100 million fund. She asserted that \$300,000 for five years was not much money, but the point is about helping workers in the state.

The committee then held an informal discussion about bills that had been heard and were awaiting executive action. **CHAIRMAN KEENAN** began with HB 295, the DUI motor vehicle bill. He said that **SEN. GROSFIELD** and **SEN. GRIMES** suggested taking the first three sections out. The bill can be referred to the judiciary committee if necessary. The intent was to alleviate the concern that was mentioned on the floor and clean the bill up.

Regarding SB 66, the county attorney salary bill, there were concerns about deferring obligations to future bienniums. **SEN. BOHLINGER** approached **SEN. KEENAN** looking for funding sources, specifically to increase fines for misdemeanors from \$500 to \$1000 which would be about a 250 page bill that would basically rewrite everything in Title 45. **SEN. KEENAN** said he didn't want to go there and wished there was a way to do something like that without having a huge amount of paper printed. **SEN. COBB** said the bill should not come out of the committee and defer the cost to the future. He suggested raising the percentage that the state pays of the base salary. He was willing to work on that if there was any interest. **SEN. WATERMAN** asked for an amendment that would move the expenditure into the current biennium. She said it was a fundamental choice. There are a number of bills, some tax breaks, and reduction in revenues that will hit in the next biennium. She was concerned about digging a big hole. She questioned whether the county attorney bill should be passed and implemented this biennium or if the next legislature should decide if they have the funds to implement it. She did not want to obligate them for the next biennium. She said it was a disservice to county attorneys to tell them salaries are going to be raised and then next session tell them the funds aren't there. Another concern about the bill was the salary for Petroleum County. They contract with the Fergus County Attorney to come up there a couple of days a month. She wondered if in the future as counties lose population, if the bill will be a disincentive for that sort of arrangement if the state is picking up 95%. She was

not sure why Petroleum County would do it. She again stated support for funding the bill now vs. waiting two years. **SEN. JERGESON** remarked that Petroleum County had no resident attorneys even living in the county physically to be county attorney which may be why they made the arrangement. **SEN. ZOOK** said that he could not vote for the bill the way it is and pay for it in this biennium. **SEN. CHRISTIAENS** spoke to the issue of part time county attorneys. Those positions need to be dealt with equitably. **SEN. TASH** agreed and said Beaverhead County had a part time county attorney and that there is an option by statute to have a private practice in conjunction with the county attorney duties. He thought the bill would be a disincentive for the kinds of things that are working now.

CHAIRMAN KEENAN asked about HB 41 which revised laws governing dedicated revenue and statutory appropriations. **SEN. CHRISTIAENS** said he gave **Carol Ferguson** the amendment that talks about **SEN. TESTER's** bill and how the two fit together. **Carol Ferguson, Administrative Officer Hard Rock Mining Impact Board**, explained some of the confusion over the bill regarding the portion of HB 41 that dealt with DEQ's responsibilities regarding reclamation and the use of revenues that they receive. SB 449, if passed, would void any section in HB 41 that would amend Section 82-4-331. In the second reading version in Section 3 the fees that the department collects would be deposited into a special revenue fund for reclamation, research and re-vegetation and fines and penalties would go into the state general fund. She suggested that DEQ could say how that corresponds with the sources of revenues that they get for their reclamation activities. **SEN. CHRISTIAENS** said that it was her program specifically that the Legislative Finance Committee looked at. He asked what is left of her program if the bill passes or is amended. **Ms. Ferguson** said the amendment that pertains to 82-4-331 does not affect the operation of the Hard Rock Mining Impact Board or the flow of its revenues. The fact that the amendment requested in the original version of HB 41 was blanked out by the House Appropriations Committee means that under Section 90-6-331 there is a statutory requirement to allocate any revenue balance that they have after a certain point to counties. They are required by law to do that by October 31. Without a statutory appropriation, they have no authority to carry out the function. The allocation is the way the statute divides the money up and the appropriation is the authority to spend the money. They have a requirement under certain circumstances to shift the money to counties by law. But they don't have any appropriation authority to shift that money to those counties and they can't do it within the time frame required because the only way to get the appropriation authority is to come back to the legislature after the date by which they were supposed to have shifted the money to counties. The effect

of dealing with Section 82-4-331 does not affect their program at all. **SEN. ZOOK** said their amendments are just the opposite of one another. **SEN. TESTER** said that it was his intention was to determine if the monies that are dealing with metal mines in HB 41 are the same monies that he is dealing with in SB 449. He did not think they were, but got conflicting reports. If the committee wants to de-earmark the ones that SB 449 doesn't deal with it would be fine with him.

CHAIRMAN KEENAN addressed SB 73, the full cost accounting pilot program. **SEN. JERGESON** said that in the hearing he had some questions about the meaning of full cost accounting. He went over the bill with the auditors to get an understanding of what full cost accounting meant. He was concerned about duplication with current law. He said he would bring the issue before the committee in executive action.

Regarding HB 186, the predator control bill, **CHAIRMAN KEENAN** said he asked FWP to find a way to get the bill funded. It was agreed that SB 273 would also be acted upon at the next meeting.

ADJOURNMENT

Adjournment: 11:30 A.M.

SEN. BOB KEENAN, Chairman

PRUDENCE GILDROY, Secretary

BK/PG

EXHIBIT (fcs51aad)